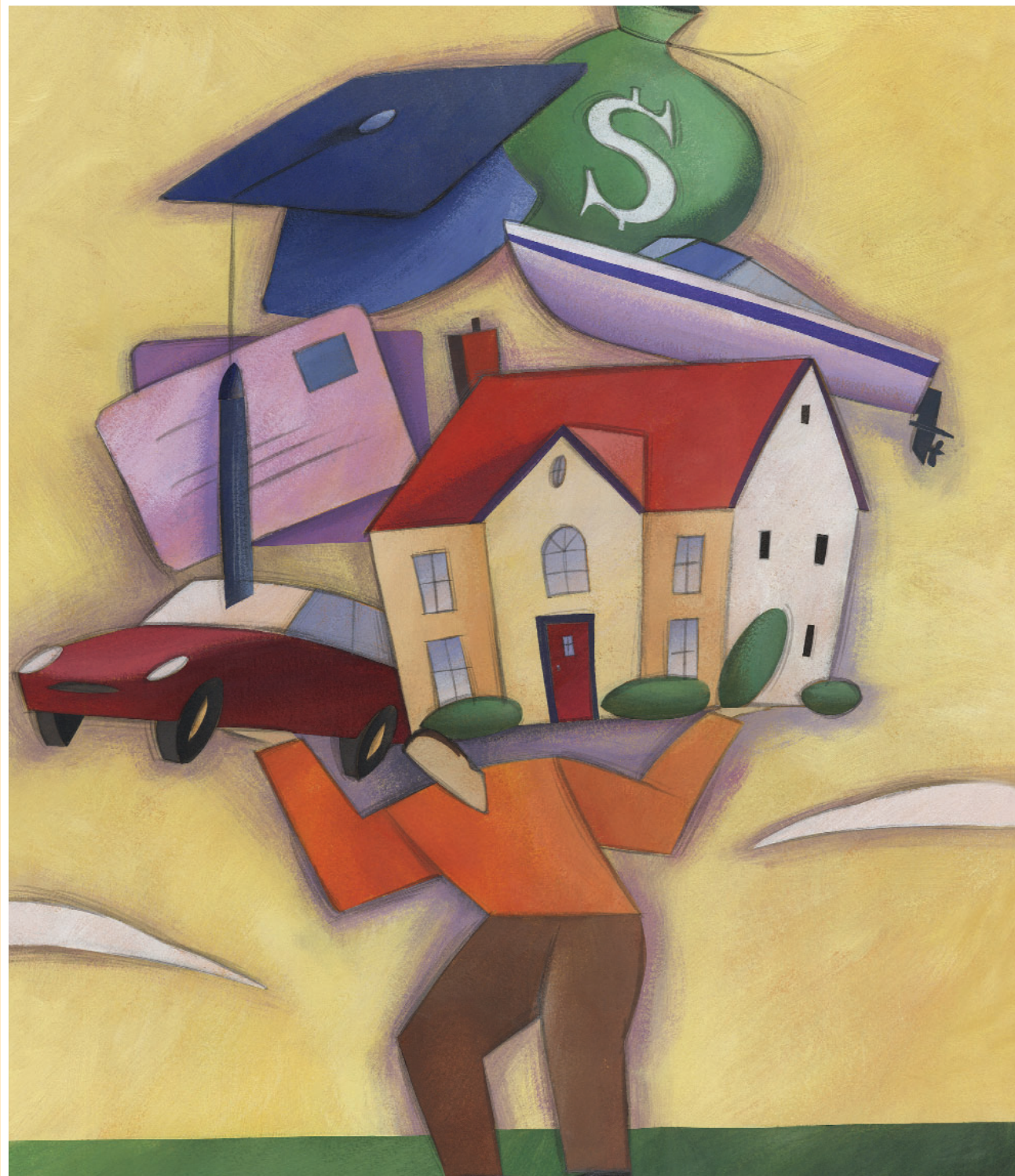


THE FEDERAL TRADE COMMISSION PRESENTS FOCUS ON FINANCES: *PREPARING FOR YOUR FUTURE*



Whether you're planning to continue your formal education after you graduate from high school or enter the workforce full-time, you're ready to take your place among the ranks of American consumers. Learning about consumer issues such as credit, identity theft and buying a car and how they can affect you are important lessons for life. What a great time to start!

Dear Student:

Being out on your own can be fun and exciting, but it also means taking on new financial responsibilities. The decisions you make now about how you manage your finances and handle money and credit can affect your ability to get more credit in the future, as well as the cost of that credit. It also can affect your ability to rent or buy a place to live, get auto or life insurance, or sometimes get a job.

This supplement provides tools to help you make smart financial decisions. It explains credit, credit reports and credit scores; offers tips on how to get and maintain credit; has information about how to avoid consumer fraud and identity theft; and navigates the ins and outs of buying a car.

The articles were prepared by the Federal Trade Commission (FTC), the nation's consumer protection agency, and the Jump\$tart Coalition for Personal Financial Literacy, a not-for-profit organization that seeks to improve financial literacy among young adults, in partnership with The Washington Times Newspapers in Education program.

Everyone shops for products and services, and everyone spends money. But not everyone knows how to do it right. Spending wisely usually takes skill, time, and experience. All of us at the FTC and Jump\$tart want you to learn how to shop smart, manage your finances responsibly, and become a more confident consumer.

Sincerely,

Deborah Platt Majoras
Chairman
Federal Trade Commission

Laura Levine
Executive Director
Jump\$tart Coalition

The **Federal Trade Commission** is the nation's consumer protection agency. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. Consumers can contact the FTC for free information on a wide range of issues, including:

- **Advertising claims**
- **Buying, leasing and renting cars**
- **Credit**
- **Debt collection**
- **Employment and job placement**
- **Identity Theft**
- **Investment schemes**
- **Online shopping**
- **Scholarship scams**
- **Sweepstakes**
- **Telemarketing**
- **Work-at-home schemes...and more**

To file a complaint or to get free information on consumer issues, visit ftc.gov or call toll-free, **1-877-FTC-HELP (1-877-382-4357)**; **TTY: 1-866-653-4261**. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

The Jump\$tart Coalition for Personal Financial Literacy seeks to improve the personal financial literacy of young adults by evaluating their financial literacy; developing, disseminating and encouraging the use of standards for grades K-12; and promoting the teaching of personal finance. For more information, visit www.jumpstartcoalition.org.

SETTING OUT ON YOUR OWN!

Preparing to be out on your own can be fun and exciting, but it also means taking on new financial responsibilities. The decisions you make now about how you manage your money can affect your ability to get credit, insurance, a place to live, and even a job.

FIRST THINGS FIRST: Developing a Budget



The first step toward taking control of your financial situation is to do a realistic evaluation of how much money you take in and how much money you spend. Start by listing your income from all sources. Then, list your "fixed" expenses – those that are the same each month – like rent, car payments, and insurance premiums. Next,

list the expenses that vary – like entertainment, recreation, and clothing. Writing down all your expenses, even those that seem insignificant, is a helpful way to track your spending patterns, identify necessary expenses, and prioritize the rest. The goal is to make sure you can make ends meet on the basics: housing, food, health care, and insurance.

Your public library and bookstores have information about budgeting and money management techniques. In addition, computer software programs can be useful tools for developing and maintaining a budget, balancing your checkbook, and creating plans to save money.



Find the employment section of the newspaper and choose five "Help Wanted" listings from five different categories. These should be jobs for which you are qualified. Read each job description carefully, noting the skills required for each position. Then make a list of your knowledge and skills to determine if the job might be right for you.

Using the hourly wage or yearly salary in one of the ads, determine how much you will earn each month. First, subtract 30 percent for taxes to determine your net monthly income. Then, create a budget of how much you might spend on the following, and subtract these costs from your income on a lined sheet of paper.

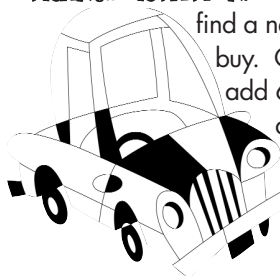


A PLACE TO LIVE. Find the apartment listings. Choose a place to live and record the monthly rent on your budget sheet.

GROCERIES. Find the food ads. Estimate the amount of food you will need each week and then multiply the cost by four to estimate your monthly expense. Remember to add in costs for non-food items, too, like shampoo, soap, toothpaste, and laundry detergent.

EATING OUT. Find a restaurant ad and deduct the cost of dinner for two plus a 20 percent tip.

TRANSPORTATION. Find the automotive section and find a new or used car you'd like to buy. Once you've chosen a car, add 6 percent for interest cost and divide it to be paid over four years to estimate a monthly payment.



OTHER EXPENSES. Consider auto insurance, gasoline, utilities (for example, gas and electric, telephone, cable), cell phone, renter's insurance, college tuition, clothes, haircuts, charity, a vacation, your daily cup of coffee, and maybe longer term savings to buy a home. Add a reasonable amount to your expenses for these items.

What's your bottom line? Do you have any money left at the end of the month? If not, what expenses can you reduce or eliminate? Is there a way to increase your income?

LIFESKILLS 101: CREDIT

When you apply for a credit card, a personal loan, or insurance, a file about you is created. This file is known as your "credit report," and is maintained by companies called consumer reporting companies. Your report will grow to include information on where you live, how you pay your bills, and whether you've ever been sued, arrested, or filed for bankruptcy. Consumer reporting companies sell the information in your report to creditors, insurers, employers, and other businesses with a legitimate need for it. They use the information to

evaluate your applications for credit, insurance, employment, or renting a place to live.

Consumer reporting companies collect four basic types of information and sell it to people who have a lawful reason to collect it.

IDENTIFICATION AND EMPLOYMENT INFORMATION:

Your name, birth date, Social Security number, employer, and spouse's name are noted routinely. The consumer reporting company also may provide information about your employment history, income, and previous address, if a

creditor asks.

PAYMENT HISTORY: Your accounts with different creditors are listed, showing how much credit has been extended and whether you've paid in a timely manner. Related events, such as the referral of an overdue account to a collection agency, also may be noted.

INQUIRIES: Consumer reporting companies must maintain a record of all the creditors who have asked for your credit history within the past year, and a record of individuals or businesses that have asked



for your credit history for employment purposes for the past two years.

PUBLIC RECORD INFORMATION: Events that are a matter of public record, like bankruptcies, foreclosures, and tax liens, may appear in your report. Having a good credit history means it will be easier for you to get loans and lower interest rates.

Lower interest rates usually translate into smaller monthly payments. Conversely, having a bad credit history can haunt you for seven years or more. It can affect your ability to get additional credit. And if you

can get credit, it may be at higher rates with less than favorable terms. Negative credit also can affect your ability to get or keep a job. Employers often use a credit report when they hire and evaluate employees for promotion, reassignment, or retention. These are just a few reasons why it's best to learn how to maintain good credit before a problem starts.

BUILDING A CREDIT REPORT

Establishing a good credit history is easier than it may seem. You might apply for a credit card issued by a local store, because local businesses can be more willing to extend credit to someone with no credit history. Once you establish a pattern of making your payments on time, major credit card issuers might be more willing to extend credit to you.

You might apply for a secured credit card. Basically, this card requires you to put up the money first and then lets you borrow 50 to 100 percent of your account balance. You might ask other people who have an established credit history to co-sign on an account. By co-signing, the person is agreeing to pay back the loan if you don't.

KEEPING YOUR CREDIT RECORD CLEAN

Good credit is important, now and in the future. In most cases, it takes seven years for accurate, negative information to be deleted from a credit report. Bankruptcy information takes even longer to be deleted – 10 years.

GETTING YOUR CREDIT REPORT

The Fair Credit Reporting Act (FCRA) requires each of the nationwide consumer reporting companies – Equifax, Experian, and TransUnion – to provide you with a free copy of your credit report, at your request, once every 12 months. The FCRA promotes the accuracy and privacy of information in the files of the nation's consumer reporting companies. The FTC enforces the FCRA with respect to consumer reporting companies.

Equifax, Experian, and TransUnion use one website, one toll-free telephone number, and one mailing address for consumers to order their free annual credit report. Do not contact the three nationwide consumer reporting companies individually.

To order your free annual credit report:
Visit: annualcreditreport.com;
Call toll-free: 1-877-322-8228;
or Mail your completed
Annual Credit Report Request Form
(available at ftc.gov/credit) to:

Annual Credit Report Request Service,
P.O. Box 105281, Atlanta, GA 30348-5281.

You may order your free annual reports from each of the consumer reporting companies at the same time, or you may want to stagger your order throughout the year, providing you with a periodic look at your credit status.

To order your report, you'll need to provide your name, address, Social Security number, and date of birth. If you have moved in the last two years, you may have to provide your previous address. To maintain the security of your credit file, each nationwide consumer reporting company may ask you for some information that only you would know, like the amount of your car payment. Each company may ask you for different information because the information each one has in your file may come from different sources.

For more information, see *Your Access to Free Credit Reports* at ftc.gov/credit.

Pop Quiz

1. A CREDIT REPORT IS:

- A list of your financial assets and liabilities
- Your monthly credit card statement
- A loan and bill payment history
- Your credit line with your financial institution

BONUS QUESTION

2. **TRUE OR FALSE:** YOU SHOULD REVIEW YOUR CREDIT REPORT BEFORE YOU APPLY FOR A LOAN.
(Answers on Pages 14 - 15)

CREDIT SCORING

Businesses often use more than the information in your credit report when they decide whether or not to grant you credit. They also consider your credit score. Here's how credit scoring works in helping decide who gets credit – and why. Information about you and your credit experiences, such as your bill-paying history, the number and type of accounts you have, late payments, collection actions, outstanding debt, and how long you've had your accounts, is collected from your

EQUIFAX experian TransUnion

Annual Credit Report Request Form

You have the right to get a free copy of your credit file disclosure, commonly called a credit report, once every 12 months, from the nationwide consumer credit reporting companies - Equifax, Experian and TransUnion.
For instant access to your free credit report, visit www.annualcreditreport.com.
For more information on obtaining your free credit report, visit www.annualcreditreport.com or call 877-322-8228.

Use this form if you prefer to write to request your credit report from any, or all, of the nationwide consumer credit reporting companies. The following information is required to process your request. **Omission of any information may delay your request.**
Once complete, fold (do not staple or tape), place into a #10 envelope, affix required postage and mail to:
Annual Credit Report Request Service P.O. Box 105281 Atlanta, GA 30348-5281.

Please use a Blank or Blue Pen and write your responses in PRINTED CAPITAL LETTERS without touching the sides of the boxes like the examples listed below.

☐ A ☐ B ☐ C ☐ D ☐ E ☐ F ☐ G ☐ H ☐ I ☐ J ☐ K ☐ L ☐ M ☐ N ☐ O ☐ P ☐ Q ☐ R ☐ S ☐ T ☐ U ☐ V ☐ W ☐ X ☐ Y ☐ Z ☐ 0 ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9

Social Security Number: - - **Date of Birth:** / /

Month Day Year

First Name **M.I.**

Last Name **JR, SR, III, etc.**

Current Mailing Address

House Number **Street Name**

Apartment Number / Private Mailbox **For Puerto Rico Only: Print Urbanization Name**

City **State** **Zip Code**

Previous Mailing Address (complete only if at current mailing address for less than two years):

House Number **Street Name**

Apartment Number / Private Mailbox **For Puerto Rico Only: Print Urbanization Name**

City **State** **Zip Code**

Shade Circle Like This → ☒ **I want a credit report from (shade each that you would like to receive):**

☐ Equifax
☐ Experian
☐ TransUnion

Not Like This → ☐ **Shade here if, for security reasons, you want your credit report to include no more than the last four digits of your Social Security Number.**

If additional information is needed to process your request, the consumer credit reporting company will contact you by mail.

Your request will be processed within 15 days of receipt and then mailed to you

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Sample form. Download actual form at:

www.ftc.gov/bcp/online/pubs/credit/scoring.pdf

credit application and your credit report. Using a statistical program, creditors compare this information to the credit performance of consumers with similar profiles. A credit scoring system awards points for each factor that helps predict who is most likely to repay a debt. A total number of points – a credit score – helps predict how creditworthy you are – that is, how likely you are to repay a loan and make the payments when they are due. The higher the points on your credit score, the better it is. A low score may mean you will be turned down for credit, or have to pay more for credit in the form of higher interest rates. For more information, see *Credit Scoring* at ftc.gov/credit.

PAYING WITH PLASTIC: What a Difference a Word Makes

CREDIT CARD – You can use a credit card to buy things and pay for them over time. But remember, buying with credit is a loan – you have to pay the money back. And some issuers charge an annual fee for their cards. Some credit card issuers also provide “courtesy” checks to their customers. You can use these checks in place of your card, but they’re not a gift – they’re a loan that you must pay back. And if you don’t pay your bill on time or in full when it’s due, you will owe a finance charge – the dollar amount you pay to use credit. The finance charge depends in part on your outstanding balance and the annual percentage rate (APR).

CHARGE CARD – If you use a charge card, you must pay the balance in full each time you get your statement.

DEBIT CARD – This card allows you make purchases by accessing the money in your checking or savings account electronically.

THE FINE PRINT

When applying for credit cards, it’s important to shop around. Fees, interest rates, finance charges, and benefits can vary greatly among card issuers. And, in some cases, credit cards might seem like great deals until you read the fine print and disclosures. When you’re trying to find the credit card that’s right for you, look at the:

ANNUAL PERCENTAGE RATE (APR) – The APR is a measure of the cost of credit, expressed as a yearly interest rate. It must be disclosed before you become

obligated on the account, and it must be disclosed on your account statements. The card issuer also must disclose the “periodic rate” – the rate applied to your outstanding balance to figure the finance charge for each billing period.

Some credit card plans allow the issuer to change your APR when interest rates or other economic indicators – called indexes – change. Because the rate change is linked to the index’s performance, these plans are called “variable rate” programs. Rate changes raise or lower the finance charge on your account. If you’re considering a variable rate card, the issuer also must disclose to you:

- That the rate may change; and
- How the rate is determined – which index is used and what additional amount, the “margin,” is added to determine your new rate.

You also must receive information, before you become obligated on the account, about any limitations on how much and how often your rate may change.

GRACE PERIOD – The grace period is the number of days you have to pay your bill in full without triggering a finance charge. For example, the credit card company may say that you have 25 days from the statement date, provided you paid your previous balance in full by the due date. The statement date is given on the bill.

The grace period usually applies only to new purchases. Most credit cards do not give a grace period for cash advances and balance transfers.

Instead, interest charges start right away.

If your card includes a grace period, the issuer must mail your bill at least 14 days before the due date so you’ll have enough time to pay.

ANNUAL FEES – Many issuers charge annual membership or participation fees that often range from \$20 to \$75.

TRANSACTION FEES AND OTHER CHARGES – Some issuers charge a fee if you use the card to get a cash advance, make a late payment, or exceed your credit limit. Some charge a monthly fee whether or not you use the card.

CUSTOMER SERVICE – Customer service is something most people don’t consider, or appreciate, until there’s a problem. Look for a 24-hour toll-free telephone number.

UNAUTHORIZED CHARGES – If your card is used without your permission, you can be held responsible for up to \$50 per card. If you report the loss before the card is used, you can’t be held responsible for any unauthorized charges. If a thief uses your card before you report it missing, the most you’ll owe for unauthorized charges is \$50.

To minimize your liability, report the loss as soon as possible. Some issuers have 24-hour toll-free telephone numbers to accept emergency information. It’s a good idea to follow-up with a letter to the issuer – include your account number, the date you noticed your card missing, and the date you reported the loss.

Pop Quiz

3. YOUR CREDIT CARD STATEMENT ARRIVES IN THE MAIL. WHEN YOU READ IT, YOU SEE YOU’VE BEEN BILLED FOR MERCHANDISE YOU NEVER RECEIVED. WHAT DO YOU DO?

- a. Wait for your next month’s statement to see if the charge is still there.
- b. Contact the credit card issuer at the address or phone

number for “billing inquiries.”

c. Call the credit card issuer and tell them you won’t pay any part of your bill until the charge you’re disputing is taken off.

d. Cut up your credit card; something is wrong.

(Answer on Pages 14 - 15)



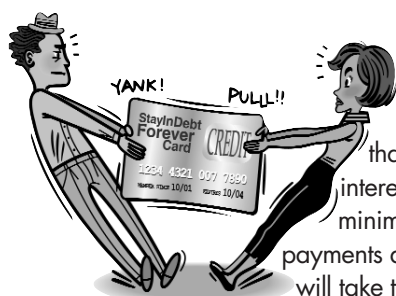
Look through the newspaper ads for credit card offers. You may find these in the Sunday paper with the coupons. Make a chart with a column for each offer, and note the following under each:

- What is the annual percentage rate (APR)?
- Is there an introductory rate? If so, how long does it last? What will the APR be after that period?
- Is the APR for cash advances different than the APR for purchases? If so, what is the APR for cash advances?

- Does the card have a cash back feature? If so, how does it work?
- Is there an annual fee? If so, how much is it?
- What is the late payment fee?
- What is the default rate?
- What important information is provided?

For more information, see *Choosing and Using Credit Cards* at ftc.gov/credit.

IT'S GOING TAKE HOW LONG TO PAY OFF THAT DEBT?



Keep in mind that credit card interest rates and minimum monthly payments affect how long it will take to pay off your debt and how much your purchase will cost you over time. Here are two examples:

Suppose when you're 18, you charge \$1,500 worth of clothes and CDs on a credit card with a 19 percent interest rate.

If you repay only the minimum amount each month, and your minimum is 4 percent of the outstanding balance (the least permitted by some issuers), you'll start with a \$60 payment. You'll be more than 26 years old by the time you pay off the debt. That's 106 payments, and you will have paid more than \$889 extra in interest. And that's if you charge nothing else on the card, and no other fees are imposed (for example, late charges).

If your minimum payment is based on 2.5 percent of the outstanding balance, you'll start with a \$37.50 payment. You'll be over 35 years old when you pay off the debt. That's 208 payments, and you will have paid more than \$2,138 in interest, even if you charge nothing else on the account and have no other fees.

KEEP CREDIT CARD USE UNDER CONTROL

Whether you shop online, by telephone, or by mail, a credit card can make buying many things much easier. But when you use a credit card, it's important to keep track of your spending. Incidental and impulse purchases add up. When the bill comes, you have to pay what you owe. Owing more than you can afford to repay can damage your credit rating. Keeping good records can prevent a lot of headaches, especially if there are inaccuracies on your monthly statement. If you notice a problem, report it promptly to the company that issued the card. Usually the instructions for disputing a charge are on your monthly statement. If you use your credit card to order by mail, by telephone, or online, keep copies and printouts with details about the transaction.

These details should include the company's name, address, and telephone number; the date of your order; a copy of the order form you sent to the company or a list of the stock codes of the items you ordered; the order confirmation code; the ad or catalog from which you ordered (if applicable); any applicable warranties; and the return and refund policies.

Finally, if you have a credit card, take the following precautions:

- Never lend it to anyone.
- Never sign a blank charge slip. Draw lines through blank spaces on charge slips above the total so the amount can't be changed.

- Never put your account number on the outside of an envelope or on a postcard.
- Always be cautious about disclosing your account number on the telephone unless you know the person you're dealing with represents a reputable company.
- Carry only the cards you expect to use to minimize the damage of a potential loss or theft.
- Always report lost or stolen ATM and credit cards to the card issuers as soon as possible. Follow up with a letter that includes your account number, when you noticed the card was missing, and when you first reported the loss.

For more information, see *Getting Credit: What You Need to Know About Your Credit* at ftc.gov/credit.

Pop Quiz

4. **IF YOUR CREDIT CARD WAS LOST OR STOLEN AND USED TO CHARGE ITEMS YOU DIDN'T AUTHORIZE, YOU ARE RESPONSIBLE FOR WHAT AMOUNT?**

- Up to \$50
- Up to \$100
- Up to \$500
- All unauthorized charges

BONUS QUESTION

5. **TRUE OR FALSE: YOUR LIABILITY UNDER FEDERAL LAW FOR UNAUTHORIZED USE OF YOUR ATM OR DEBIT CARD DEPENDS ON HOW QUICKLY YOU REPORT THE LOSS.**

(Answers on Page 14-15)

A DIFFERENT KIND OF PLASTIC: GIFT CARDS

Shopping for gifts can be a real dilemma. Just what do you get the person who has everything, your hip best friend, your cool brother, or your finicky aunt? Gift cards may be the answer: one size fits all, and the recipients can get exactly what they want. But before you buy a wallet full of gift cards from your favorite retailer or your local financial institution, the FTC wants you to know that some strings may be attached. For example, some cards can be used only at the retailer's store locations; others can be used at any retailer and online. Some have expiration dates. Some let the user "reload" or add money to the balance on the card. And some have fees, like activation fees, transaction fees, monthly maintenance fees, inactivity or non-use fees, replacement fees for lost or stolen cards, or balance inquiry fees.

TIPS FOR BUYING GIFT CARDS

Store cards sold by retailers usually are issued free of charge. But banks often charge a fee to buy their cards. Some bank gift cards come with a Personal Identification Number (PIN) that lets the user withdraw cash from an ATM. Other things you should know before you buy a gift card:

- Read the fine print before you buy. If you don't like the terms and conditions, buy elsewhere.
- When you're buying a card, ask about expiration dates and fees. This information may appear on the card itself, on the accompanying sleeve or envelope, or on the issuer's website. If you don't see it, ask. Make sure that whatever the salesperson tells you also is in writing. If the seller is reluctant to put the terms or conditions in writing – or says it isn't necessary – shop elsewhere. If the information is separate from the gift card, give it to the recipient to help protect the value of the card. It's also a good idea to give the recipient the original receipt to

verify the card's purchase in case it is lost or stolen.

- Consider purchase fees: Is there a fee to buy the card or activate it? If you buy the card online or on the phone, is there a fee for shipping and handling? Does expedited delivery cost more?
- Consider fees for the recipient. It might be embarrassing to give a \$50 gift card to someone if much of the amount gets gobbled up in fees.
- Check on purchase exceptions. For example, can the recipient use a store-specific gift card at either the physical store or at the store's website? Can an "all purpose" card really be used to buy groceries or gasoline?

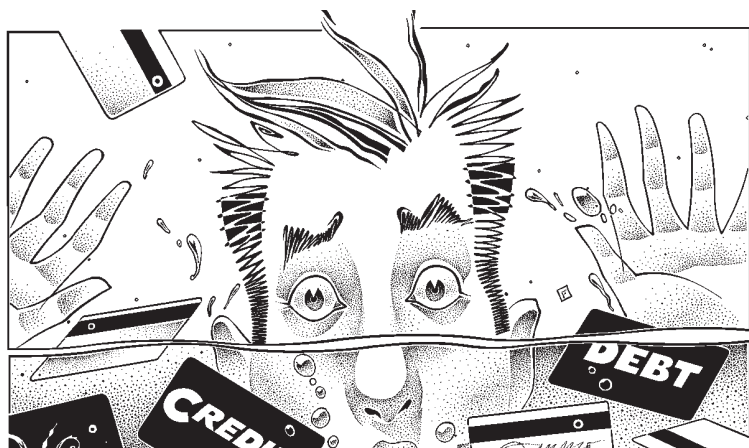
TIPS FOR USING GIFT CARDS

If you've received a gift card, it pays to be a savvy consumer.

- Read the terms and conditions as soon as you get the card, and check for an expiration date.
- If you didn't get the card's terms and conditions, the original purchase receipt, or the card's ID number, ask for them from the person who gave you the card, and then keep them in a safe place.
- Treat your card like cash. If your card is lost or stolen, report it to the issuer immediately. You may be out the entire amount on the card. Some issuers won't replace the cards, but others will if you pay a fee. And if they do charge for replacement cards, you'll most likely need to document the purchase and provide the ID number. Most issuers have toll-free numbers to report lost or stolen cards.
- If your card expires before you've had a chance to use it or exhaust its value, contact the issuer. They may extend the date, although they may charge a fee to do that.

For more information, see *Buying, Giving, and Using Gift Cards* at ftc.gov/credit.

DEALING WITH DEBT



If you're like many people, chances are you'll face a financial crisis at some point in your life that can make it difficult to pay your bills. You could receive dunning collection notices from creditors. Your accounts could be turned over to debt collectors. And in the worst case scenario, you could lose your home or your car.

Whether the crisis is caused by personal or family illness, the loss of a job, or simple overspending, it can seem overwhelming. But often, it can be overcome. The fact is that your financial situation doesn't have to go from bad to worse.

If you get into financial hot water, there are options: credit counseling from a reputable organization, debt consolidation, or bankruptcy. Which path works best for you depends on your level of debt, your level of discipline, and your prospects for the future.

CONTACTING YOUR CREDITORS

Contact your creditors immediately if you ever have trouble making ends meet. Tell them why it's difficult for you to pay your bills, and try to work out a modified payment plan that reduces your payments to a more manageable level. Don't wait until your accounts have been turned over to a debt collector. At that point, your creditors have given up on you.

SECURED AND UNSECURED DEBT

Your debts can be secured or unsecured. Secured debts usually are tied to an asset, like your car for a car loan. If you stop making payments, lenders can repossess your car. Unsecured debts are not tied to any asset, and include most credit card debt, bills for medical care, and debts for other types of services.

AUTO LOANS

Most automobile financing agreements allow a creditor to repossess your car any time you're in default. No notice is required. If your car is repossessed, you may have to pay the balance due on the loan, as well as towing and storage costs, to get it back. If you can't pay, the creditor may sell the car. If you see default approaching, you may be better off selling the car yourself and paying off the debt. You'll avoid the added costs of repossession and a negative entry on your credit report.

For more information, see *Knee Deep in Debt* at ftc.gov/credit.

DEALING WITH DEBT COLLECTORS

The Fair Debt Collection Practices Act is the federal law that dictates how and when a debt collector may contact you. A debt collector may not call you before 8 a.m., after 9 p.m., or while you're at work if the collector knows that your employer doesn't approve of the calls. Collectors may not harass you, lie, or use unfair practices when they try to collect a debt. And they must honor a written request from you to stop further contact.

CREDIT COUNSELING

If you're not disciplined enough to create a workable budget and stick to it, can't work out a repayment plan with your creditors, or can't keep track of mounting bills, consider contacting a credit counseling organization. Many credit counseling organizations work with you to solve your financial problems. If you are dealing with an organization that calls itself nonprofit, that's not a guarantee that its services are free, affordable, or even legitimate. In fact, some credit counseling organizations collect high fees, which may be hidden in their charges, or pressure consumers to make large "voluntary" contributions that can cause more debt.

Most credit counselors offer services through local offices, the Internet, or the telephone. If possible, find an organization that offers in-person counseling. Many universities, military bases, credit unions, housing authorities, and branches of the U.S. Cooperative Extension Service operate nonprofit credit counseling programs. Your financial institution, local consumer protection agency, and friends and family also may be good sources of information and referrals. You also may check the U.S. Trustee Program's website at www.usdoj.gov. Type "approved credit counseling agencies" in the search field.

Reputable credit counseling organizations can advise you on managing your money and debts, help you develop a budget, and offer free educational materials and workshops. Their counselors are certified and trained in the areas of consumer credit, money and debt management, and budgeting. Counselors discuss your entire financial situation with you, and help you develop a personalized plan to solve your money problems. An initial counseling session typically lasts an hour, with an offer of follow-up sessions.

For more information, see *Fiscal Fitness: Choosing a Credit Counselor* at ftc.gov/credit.

Pop Quiz

6. YOU'RE BEHIND ON YOUR PAYMENTS. THE COLLECTION COMPANY IS CALLING YOU AT THE OFFICE AND AT HOME, SOMETIMES AS LATE AS 11 P.M. WHAT ARE YOUR RIGHTS?

- You can stop a debt collector from contacting you simply by writing them a letter telling them to stop. They may not contact you again except to notify you that the debt collector or the creditor intends to take some specific action.
- The federal Fair Debt Collection Practices Act protects against harassing calls.
- Debt collectors may not lie to you or call after 9 p.m.
- All of the above.

(Answer on Page 14 -15)



Find articles about identity theft and other consumer frauds. Summarize the story by identifying the 5W's and the H (who, what, when, where, why & how) of the story. Then read commentaries in the newspaper. Using them as examples, write a brief commentary suggesting ways to stop this type of crime and how perpetrators should be punished.

IDENTITY THEFT: Deter, Detect, Defend

Identify theft occurs when someone uses your personal information to commit fraud. When an imposter co-opts your name, your Social Security number, your credit card number, or some other piece of your personal information for their use – in short, when someone appropriates your personal information without your knowledge – it's a crime.

The biggest problem? You may not know your identity's been stolen until you notice that something's amiss: you may get bills for a credit card account you never opened; your credit report may include debts you never knew you had; a billing cycle may pass without your receiving a statement; or you may see charges on your bills that you didn't sign for, didn't authorize, and don't know anything about.

HOW IDENTITY THIEVES GET YOUR INFORMATION



SKILLED IDENTITY THIEVES USE A VARIETY OF METHODS TO GAIN ACCESS TO YOUR PERSONAL INFORMATION. FOR EXAMPLE, THEY MAY GET INFORMATION FROM

BUSINESSES OR OTHER INSTITUTIONS BY:

- Stealing records or information while they're on the job. Bribing an employee who has access to these records.
- Hacking these records.
- Conning information out of employees.
- Rummaging through your trash, the trash of businesses, or public trash dumps in a practice known as "dumpster diving." Getting your credit reports by abusing their employer's authorized access to them, or by posing as a landlord, employer, or someone else who may have a legal right to access your report.

Identity thieves also may get your information by:

- Stealing your credit or debit card numbers by capturing the information in a data storage device in a practice known as "skimming." They may swipe your card for an actual purchase, or attach the device to an ATM machine where you may enter or swipe your card.
- Stealing wallets and purses containing identification and credit and bankcards.
- Stealing mail, including bank and credit card statements, new checks, or tax information.
- Completing a "change of address form" to divert your mail to another location.
- Stealing personal information from your home.

- Scamming information from you by posing as a legitimate business person or government official.

How Identity Thieves Use Your Information

ONCE IDENTITY THIEVES HAVE YOUR PERSONAL INFORMATION, THEY MAY:

- Go on spending sprees using your credit and debit card account numbers to buy "big-ticket" items like computers that they can easily sell.
- Open a new credit card account, using your name, date of birth, and Social Security number. When they don't pay the bills, the delinquent account is reported on your credit report.
- Change the mailing address on your credit card account. The imposter then runs up charges on the account. Because the bills are being sent to the new address, it may take some time before you realize there's a problem.
- Take out auto loans in your name.
- Establish phone or wireless service in your name.
- Counterfeit checks or debit cards, and drain your bank account.
- Open a bank account in your name and write bad checks on that account.
- File for bankruptcy under your name to avoid paying debts they've incurred, or to avoid eviction.
- Give your name to the police during an arrest. If they are released and don't show up for their court date, an arrest warrant could be issued in your name.

For more information, see *ID Theft: What It's All About* at ftc.gov/idtheft.

Pop Quiz

7. YOU GET AN OFFER FROM YOUR CREDIT CARD COMPANY TO BUY PROTECTION AGAINST THIEVES WHO STEAL CREDIT CARD NUMBERS AND RUN UP HUGE BILLS. YOU SHOULD:

- a. Say no. If your credit card is lost or stolen, the most you will owe

from unauthorized charges is \$50.

b. Get more information. Contact the credit card company in a way you know is secure.

c. Order the service today!

d. A and B

(Answer on Pages 14 - 15)

DETER: How to Minimize Your Risk of Identity Theft

You can minimize the risks of identity theft by managing your personal information wisely and cautiously. Here are some ways to protect yourself:

- Before you reveal any personally identifying information, find out how it will be used, whether it will be shared, and with whom.

- Pay attention to your billing cycles. Follow up with creditors if your bills don't arrive on time.

- Guard your mail from theft. Deposit outgoing mail in post office collection boxes or at your local post office. Remove mail from your mailbox as soon after it has been delivered as you can. If you're planning to be away from home and can't pick up your mail, call the U.S. Postal Service toll-free at 1-800-275-8777, or visit www.usps.gov to ask for a vacation hold.

- When possible, put passwords on your credit card, bank and phone accounts. Avoid using easily available information like your mother's maiden name, your birth date, the last four digits of your Social Security number or telephone number, or a series of consecutive numbers. It's a good idea to keep a list of your credit card issuers and their telephone numbers in a safe place.

- Don't give out personal information on the telephone, through the mail, or over the Internet unless you've initiated the contact or know whom you're dealing with.

- Protect any personal information in your home. For example, tear or shred documents like charge receipts, copies of credit offers and applications, insurance forms, doctor's statements, discarded bank checks and statements, and expired credit cards before you throw them away. Be cautious about leaving personal information in plain view, especially if you have roommates, hire outside help, or are having service work done. Find out who has access to your personal information at work or at school, and verify that the records are kept in a secure location.

- Never carry your Social Security card; leave it in a secure place at home. Give out your Social Security number only when you are convinced it is absolutely necessary.

- Order your credit report from each of the three nationwide consumer reporting companies every year to make sure it is accurate and includes only those activities you've authorized.

- Carry only the identification that you actually need.

DETECT: How To Tell If You're a Victim of Identity Theft



Monitor the balances of your financial accounts. Look for unexplained charges or withdrawals. Other indications of identity theft can be:

- Failing to receive bills or other mail signaling an address change by the identity thief.
- Receiving credit cards for which you did not apply.
- Denial of credit for no apparent reason.
- Receiving calls from debt collectors or companies about merchandise or services you didn't buy.

Pop Quiz

DEFEND: What to Do If You're a Victim of Identity Theft

If you suspect that your personal information has been used to commit fraud or theft, take the following four steps right away.

1. Place a fraud alert on your credit reports and review them.

Contact any one of the nationwide consumer reporting companies to place a fraud alert on your credit report. Fraud alerts can help prevent an identity thief from opening any more accounts in your name. The company you call is required to contact the other two, which will place an alert on their versions of your report, too.

Equifax: 1-800-525-6285;
www.equifax.com

Experian: 1-888-EXPERIAN
(397-3742); www.experian.com

TransUnion: 1-800-680-7289;
www.transunion.com

In addition to placing the fraud alert on your file, the three consumer reporting companies will send you free copies of your credit reports, and, if you ask, they will display only the last four digits of your Social Security number on your credit reports.

2. Close the accounts that you know, or believe, have been tampered with or opened fraudulently.

Contact the security or fraud department of each company where you know, or believe, accounts have been tampered with or opened fraudulently. Follow up in writing, and include copies (NOT originals) of supporting documents. It's important to notify credit card companies and banks in writing. Send your letters by certified mail, and request a return receipt so you can document what the company received and when. Keep a file of your correspondence and enclosures.

When you open new accounts, use new Personal Identification Numbers (PINs) and passwords. Avoid using easily available information like your mother's maiden name, your birth date, the last four digits of your Social Security number or your phone number, or a series of consecutive numbers.

3. File a report with your local police or the police in the community where the identity theft took place.

Get a copy of the police report or, at the very least, the number of the report. It can help you deal with creditors who need proof of the crime. If the police are reluctant to take your report, ask to file a "Miscellaneous Incidents" report, or try another jurisdiction, like your state police. You also can check with your state Attorney General's office to find out if state law requires the police to take reports for identity theft. Check the Blue Pages of your telephone directory for the phone number or check www.naag.org for a list of state Attorneys General.

4. File a complaint with the Federal Trade Commission.

By sharing your identity theft complaint with the FTC, you will provide important information that can help law enforcement officials across the nation track down identity thieves and stop them. The FTC also can refer your complaint to other government agencies and companies for further action, as well as investigate companies for violations of laws that the FTC enforces.

You can file a complaint online at ftc.gov/idtheft. If you don't have Internet access, call the FTC's Identity Theft Hotline, toll-free: **1-877-IDTHEFT (438-4338); TTY: 1-866-653-4261**; or write: Identity Theft Clearinghouse, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580.

For more information, see *Take Charge: Fighting Back Against Identity Theft* at ftc.gov/idtheft.

8. YOU GET AN EMAIL THAT ASKS FOR YOUR PERSONAL AND FINANCIAL INFORMATION. WHAT SHOULD YOU DO?

- Do not respond. Send the spam to the FTC at spam@uce.gov so that it can be available to law enforcement.
- Always avoid emailing personal and financial information - like your Social Security number or account numbers.
- A and B

(Answer on Pages 14 - 15)

9. WHEN SOMEONE ASKS FOR YOUR SOCIAL SECURITY NUMBER, WHICH OF THE FOLLOWING QUESTIONS SHOULD YOU ASK?

- Why do you need it?
- How will you use it?
- How do you safeguard it?
- All of the above.

(Answer on Pages 14 - 15)

10. YOUR PERSONAL INFORMATION OR IDENTIFICATION DOCUMENTS HAVE BEEN STOLEN. YOU CAN MINIMIZE THE MISUSE OF THAT INFORMATION IF YOU ACT QUICKLY. WHAT DO YOU NEED TO DO?

- File a report with your local police. Get a copy of the report.
- Cancel your credit cards. Call the issuer(s) immediately.
- Call the fraud departments of the three major consumer reporting companies and ask each company to put a "fraud alert" on your account.
- All of the above.

(Answer on Pages 14 - 15)

Newspaper Activity

FIND STORIES IN THE NEWSPAPER ABOUT THE FTC OR OTHER FEDERAL, STATE OR LOCAL CONSUMER AGENCIES. HOW ARE THESE AGENCIES HELPING CONSUMERS DEAL WITH VARIOUS ISSUES OF FRAUD? ARE NEW RULES OR LAWS BEING ENACTED TO HELP CONSUMERS? WHAT DO YOU THINK SHOULD BE DONE?

BUYING A CAR: STEERING YOUR WAY TO A GOOD DEAL

Buying a car may be one of the more expensive purchases you make. Your first decision may be whether to buy new or used. Either way, it's important to know how to drive a smart deal.

BUYING A NEW CAR

Think about what car model and options you want and how much you're willing to spend. Be realistic and do some research. You'll be less likely to feel pressured into making a hasty or expensive decision at the showroom and more likely to get a better deal.

Consider these suggestions:

- Check publications at a library or bookstore, or on the Internet, that discuss new car features and prices. These may provide information on the dealer's costs for specific models and options.
- Shop around to get the best possible price by comparing models and prices in ads and at dealer showrooms. You also may want to contact car-buying services and broker-buying services to make comparisons.
- Plan to negotiate on price. Dealers may be willing to bargain on their profit margin, often between 10 and 20 percent. Usually, this is the difference between the manufacturer's suggested retail price (MSRP) and the invoice price. Because the price is a factor in the dealer's calculations regardless of whether you pay cash or finance your car – and also affects your monthly payments – negotiating the price can save you money.
- Consider ordering your new car if you don't see what you want on the dealer's lot. This may involve a delay, but cars on the lot may have options you don't want – and that can raise the price. However, dealers often want to sell their current inventory quickly, so you may be able to negotiate a good deal if an in-stock car meets your needs.

LEARNING THE TERMS

Negotiations often have a vocabulary of their own. Here are some terms you may hear when you're talking price.

INVOICE PRICE is the manufacturer's initial charge to the dealer. This usually is higher than the dealer's final cost because dealers receive rebates, allowances, discounts, and incentive awards. Generally, the invoice price should include freight (also known as destination and delivery). If you're buying a car based on the invoice price (for example, "at invoice," "\$100 below invoice," "two percent above invoice"), and if freight is already included, make sure freight isn't added again to the sales contract.

BASE PRICE is the cost of the car without options, but includes standard equipment and factory warranty. This price is printed on the Monroney sticker.

MONRONEY STICKER PRICE (MSRP) shows the base price, the manufacturer's installed options with the manufacturer's suggested retail price, the

manufacturer's transportation charge, and the fuel economy (mileage). Affixed to the car window, this label is required by federal law, and may be removed only by the purchaser.

DEALER STICKER PRICE, usually on a supplemental sticker, is the Monroney sticker price plus the suggested retail price of dealer-installed options, such as additional dealer markup (ADM) or additional dealer profit (ADP), dealer preparation, and undercoating.

CAR ADS: READING BETWEEN THE LINES

Many new car dealers advertise unusually low interest rates and other special promotions. Ads promising high trade-in allowances and free or low-cost options may help you shop, but finding the best deal requires careful comparisons. Many factors determine whether a special offer provides genuine savings. The interest rate, for example, is only part of the car dealer's financing package. Terms like the size of the down payment also affect the total financing cost.

QUESTIONS ABOUT PROMOTIONS

Special promotions include high trade-in allowances and free or low-cost options. Some dealers promise to sell the car for a stated amount over the dealer's invoice. Asking questions like these can help you determine whether special promotions offer genuine value.

- Does the advertised trade-in allowance apply to all cars, regardless of their condition? Are there any deductions for high mileage, dents, or rust?
- Does the larger trade-in allowance make the cost of the new car higher than it would be without the trade-in? You might be giving back the big trade-in allowance by paying more for the new car.
- Is the dealer who offers a high trade-in allowance and free or low-cost options giving you a better price on the car than another dealer who doesn't offer promotions?
- Does the "dealer's invoice" reflect the actual amount that the dealer pays the manufacturer? You can consult consumer or automotive publications for information about what the dealer pays.
- Does the "dealer's invoice" include the cost of options, like rustproofing or waterproofing, that already have been added to the car? Is one dealer charging more for these options than others?
- Does the dealer have cars in stock that don't have expensive options? If not, will the dealer order one for you?
- Are the special offers available if you order a car instead of buying one off the lot?
- Can you take advantage of all special offers simultaneously?

FINANCING YOUR NEW CAR – PAYMENT OPTIONS

You have two choices: pay in full or finance over time. If you finance, the total cost of the car increases. That's because you're also paying for the cost of credit, which includes interest and other loan costs. You'll also have to consider how much you can put

down, your monthly payment, the length of the loan, and the APR. Keep in mind that APRs usually are higher and loan periods generally are shorter on used cars than on new ones.

If you decide to finance your car, be aware that the financing obtained by the dealer, even if the dealer contacts lenders on your behalf, may not be the best deal you can get. You're not limited to the financing options offered by a particular dealer. Before you commit to a deal, check to see what type of loan you can arrange with other lenders or your bank or credit union. Contact the lenders directly. Compare the financing they offer you with the financing the dealer offers you. Because offers vary, shop around for the best deal, comparing the APR and the length of the loan. When negotiating to finance a car, be wary of focusing only on the monthly payment. The total amount you will pay depends on the price of the car you negotiate, the APR, and the length of the loan.

Sometimes, dealers offer very low financing rates for specific cars or models, but may not be willing to negotiate on the price of these cars. To qualify for the special rates, you may be required to make a large down payment. With these conditions, you may find that it's sometimes more affordable to pay higher financing charges on a car that is lower in price or to buy a car that requires a smaller down payment.

Dealers and lenders offer a variety of loan terms and payment schedules. Shop around, compare offers, and negotiate the best deal you can. Be cautious about advertisements offering financing to first-time buyers or people with bad credit. These offers often require a big down payment and a high APR. If you agree to financing that carries a high APR, you may be taking a big risk. If you decide to sell the car before the loan expires, the amount you receive from the sale may be far less than the amount you need to pay off the loan. If the car is repossessed or declared a total loss because of an accident, you may be obligated to pay a considerable amount to repay the loan even after the proceeds from the sale of the car or the insurance payment have been deducted. If your budget is tight, you may want to consider paying cash for a less expensive used car.

If you decide to finance, make sure you understand the following aspects of the loan agreement before you sign any documents:

- The exact price you're paying for the vehicle;
- The amount you're financing;
- The finance charge (the dollar amount the credit will cost you);
- The APR (a measure of the cost of credit, expressed as a yearly rate);
- The number and amount of payments; and
- The total sales price (the sum of the monthly payments plus the down payment).

Once you decide which dealer offers the car and financing you want, read the invoice and the installment contract carefully. Before you sign a contract to purchase or finance the car, consider the terms of the financing and evaluate whether it is affordable.

Check to see that all the terms of the contract reflect the agreement you made with the dealer. If they don't, get a written explanation before you sign. Before you drive off the lot, be sure to have a copy of the contract that both you and the dealer have signed and be sure that all blanks are filled in. Careful shopping will help you decide what car, options, and financing are best for you.

For more information, see *Buying a New Car* at ftc.gov/autos.

Worksheet for Buying a New Car

Before you negotiate the price of your next new car, use this worksheet to establish the bargaining room.

Model _____	Base Price _____	
Options:	Invoice Price*	Sticker Price
Transmission: Automatic _____ Manual _____	_____	_____
Air Conditioning	_____	_____
Engine: Size _____	_____	_____
Audio System:		
AM-FM _____ w/cassette _____ w/CD _____	_____	_____
Brakes: Antilock _____ Power-assisted _____	_____	_____
Power Locks	_____	_____
Seats: Power _____ Heated _____ Leather _____	_____	_____
Rear Window: Wiper _____ Defroster _____	_____	_____
Wheels and Tires:		
Alloy Wheels	_____	_____
All Season Tires	_____	_____
Mirrors and Lights:		
Illuminated Dual Vanity Mirrors	_____	_____
Map Lights	_____	_____
Exterior Power Mirrors	_____	_____
Alarm System	_____	_____
Cellular Telephone	_____	_____
Remote Keyless Entry	_____	_____
Sunroof.....	_____	_____
Other: _____	_____	_____
_____	_____	_____
_____	_____	_____
Totals	_____	_____

*You can get the invoice price by looking at the dealer's invoice or reviewing car publications.

Pop Quiz

11. **TRUE OR FALSE:** FEDERAL LAW GIVES YOU THREE DAYS TO CANCEL THE PURCHASE OF A NEW OR USED CAR FROM A DEALER.

BONUS QUESTION:

12. **TRUE OR FALSE:** THE RECOMMENDED GASOLINE FOR MOST CARS IS REGULAR 87 OCTANE.
(Answers of Pages 14 - 15)



Find the new car ads. Also find the average cost of gasoline in the paper or online.

Choose a new car that you would like to buy from the ads. Let's say you want to put down 10 percent, and finance the balance at 7 percent. Calculate your monthly payments for a five year (60 months) and six year (72 months) loan. How much more will you be paying for the car if you opt for the six year loan?

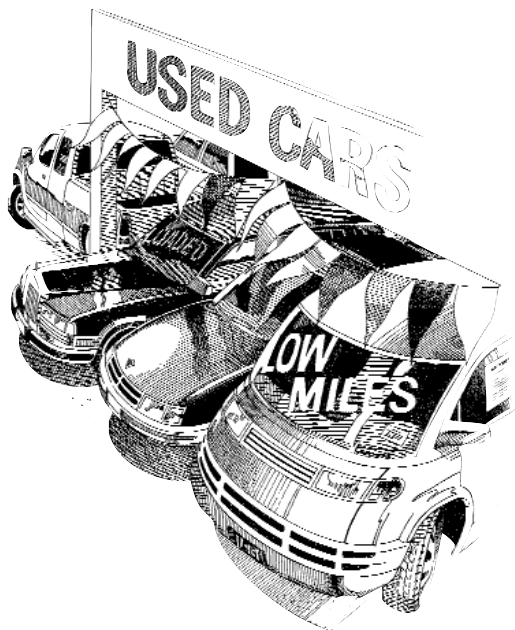
Now, calculate the cost of gasoline per month, based on

800 miles and 25 miles per gallon, and multiply by the average cost per gallon in your area.

Factor in \$150 per month for auto insurance.

What is your monthly cost for driving your new car? That is, what is the combined cost of gas and insurance?

BUYING A USED CAR



Before you start shopping for a used car, you'll need to do some homework. Spending time now may save you serious money later. Think about your driving habits, your needs, and your budget. As with new cars, you have two payment options: pay in full or finance over time.

You can learn about car models, options, and prices by reading newspaper ads, both display and classified. There is a wealth of information about used cars on the Internet: enter "used car" as the key words and you'll find additional information on how to buy a used car, detailed instructions for conducting a pre-purchase inspection, and ads for cars available for sale, among other information. Libraries and bookstores also have publications that compare car models, options, and costs, and offer information about frequency-of-repair records, safety tests, and mileage. Many of these publications have details on

the do's and don'ts of buying a used car.

Once you've narrowed your car choices, research the frequency of repair and maintenance costs on the models in auto-related consumer magazines. The U.S. Department of Transportation's Auto Safety Hotline (1-800-424-9393) gives information on recalls.

DEALER SALES

Used cars are sold through a variety of outlets: franchise and independent dealers, rental car companies, leasing companies, and used car superstores. You can even buy a used car online. Ask friends, relatives, and co-workers for recommendations. You may want to call your local consumer protection agency, state Attorney General (AG), and the Better Business Bureau (BBB) to find out if any unresolved complaints are on file about a particular dealer. Some dealers are attracting customers with

“no-haggle prices,” “factory certified” used cars, and better warranties. Consider the dealer’s reputation when you evaluate these ads.

Dealers are not required by law to give used car buyers a three-day right to cancel. The right to return the car in a few days for a refund exists only if the dealer grants this privilege to buyers. Dealers may describe the right to cancel as a “cooling-off” period, a money-back guarantee, or a “no questions asked” return policy. Before you purchase from a dealer, ask about the dealer’s return policy, get it in writing, and read it carefully.

The FTC enforces the Used Car Rule, which requires dealers to post a Buyers Guide in every used car they offer for sale. The Buyers Guide must tell you:

- whether the vehicle is being sold “as is” or with a warranty;
- what percentage of the repair costs a dealer will pay under the warranty;
- that spoken promises are difficult to enforce;
- to get all promises in writing;
- to keep the Buyers Guide for reference after the sale;
- the major mechanical and electrical systems on the car, including some of the major problems you should look out for; and
- to ask to have the car inspected by an independent mechanic before you buy.

WARRANTIES

When you buy a used car from a dealer, get the original Buyers Guide that was posted in the vehicle, or a copy. The Guide must reflect any negotiated changes in warranty coverage. It also becomes part of your sales contract and overrides any contrary provisions. For example, if the Buyers Guide says the car comes with a warranty and the contract says the car is sold “as is,” the dealer must give you the warranty described in the Guide.

AS IS – NO WARRANTY

When the dealer offers a vehicle “as is,” the box next to the “As Is – No Warranty” disclosure on the Buyers Guide must be checked. If the box is checked but the dealer promises to repair the vehicle or cancel the sale if you’re not satisfied, make sure the promise is written on the Buyers Guide. Otherwise, you may have a hard time getting the dealer to make good on his word. Some states, including Connecticut, Kansas, Maine, Maryland, Massachusetts, Minnesota, Mississippi, New Jersey, New York, Rhode Island, Vermont, West Virginia, and the District of Columbia, don’t allow “as is” sales for many used vehicles.

IMPLIED WARRANTIES

State laws hold dealers responsible if cars they sell don’t meet reasonable quality standards. These obligations are called implied warranties – unspoken, unwritten promises from the seller to the buyer. However, dealers in most states can use the words “as is” or “with all faults” in a written notice to buyers to eliminate implied warranties. There is no specified time period for implied warranties.

WARRANTY OF MERCHANTABILITY

The most common type of implied warranty is the warranty of merchantability: The seller promises that the product offered for sale will do what it’s supposed to. That a car will run is an example of a warranty of merchantability. This promise applies to the basic functions of a car. It does not cover everything that could go wrong.

Breakdowns and other problems after the sale don’t prove the seller breached the warranty of merchantability. A breach occurs only if the buyer can prove that a defect existed at the time of sale. A problem that occurs after the sale may be the result of a defect that existed at the time of sale or not. As a result, a dealer’s

BUYERS GUIDE

IMPORTANT: Spoken promises are difficult to enforce. Ask the dealer to put all promises in writing. Keep this form.

VEHICLE MAKE MODEL YEAR VIN NUMBER

DEALER STOCK NUMBER (Optional)

WARRANTIES FOR THIS VEHICLE:

AS IS - NO WARRANTY

YOU WILL PAY ALL COSTS FOR ANY REPAIRS. The dealer assumes no responsibility for any repairs regardless of any oral statements about the vehicle.

WARRANTY

FULL LIMITED WARRANTY. The dealer will pay % of the labor and % of the parts for the covered systems that fail during the warranty period. Ask the dealer for a copy of the warranty document for a full explanation of warranty coverage, exclusions, and the dealer's repair obligations. Under state law, "implied warranties" may give you even more rights.

SYSTEMS COVERED:

DURATION:

SERVICE CONTRACT. A service contract is available at an extra charge on this vehicle. Ask for details as to coverage, deductible, price, and exclusions. If you buy a service contract within 90 days of the time of sale, state law "implied warranties" may give you additional rights.

PRE PURCHASE INSPECTION: ASK THE DEALER IF YOU MAY HAVE THIS VEHICLE INSPECTED BY YOUR MECHANIC EITHER ON OR OFF THE LOT.

SEE THE BACK OF THIS FORM for important additional information, including a list of some major defects that may occur in used motor vehicles.

Below is a list of some major defects that may occur in used motor vehicles.

Frame & Body Frame-cracks, corrective welds, or rusted through Dog tracks—bent or twisted frame	Brake System Failure warning light broken Pedal not firm under pressure (DOT spec.) Not enough pedal reserve (DOT spec.) Does not stop vehicle in straight line (DOT spec.) Hoses damaged Drum or rotor too thin (Mfr. Specs) Lining or pad thickness less than 1/32 inch Power unit not operating or leaking Structural or mechanical parts damaged
Engine Oil leakage, excluding normal seepage Cracked block or head Belts missing or inoperable Knocks or misses related to camshaft lifters and push rods Abnormal exhaust discharge	Steering System Too much free play at steering wheel (DOT specs.) Free play in linkage more than 1/4 inch Steering gear binds or jams Front wheels aligned improperly (DOT specs.) Power unit belts cracked or slipping Power unit fluid level improper
Transmission & Drive Shaft Improper fluid level or leakage, excluding normal seepage Cracked or damaged case which is visible Abnormal noise or vibration caused by faulty transmission or drive shaft Improper shifting or functioning in any gear Manual clutch slips or chatters	Suspension System Ball joint seals damaged Structural parts bent or damaged Stabilizer bar disconnected Spring broken Shock absorber mounting loose Rubber bushings damaged or missing Radius rod damaged or missing Shock absorber leaking or functioning improperly
Differential Improper fluid level or leakage excluding normal seepage Cracked or damaged housing which is visible Abnormal noise or vibration caused by faulty differential	Tires Tread depth less than 2/32 inch Sizes mismatched Visible damage
Cooling System Leakage including radiator Improperly functioning water pump	Wheels Visible cracks, damage or repairs Mounting bolts loose or missing
Electrical System Battery leakage Improperly functioning alternator, generator, battery, or starter	Exhaust System Leakage
Fuel System Visible leakage	
Inoperable Accessories Gauges or warning devices Air conditioner Heater & Defroster	

DEALER

ADDRESS

SEE FOR COMPLAINTS

IMPORTANT: The information on this form is part of any contract to buy this vehicle. Removal of this label before consumer purchase (except for purpose of test-driving) is a violation of federal law (16 C.F.R. 455).

liability is judged case-by-case.

If you have a written warranty that doesn't cover your problems, you still may have coverage through implied warranties. That's because when a dealer sells a vehicle with a written warranty or service contract, implied warranties are included automatically. The dealer can't delete this protection. Any limit on an implied warranty's time must be included on the written warranty.

In states that don't allow "as is" sales, an "Implied Warranties Only" disclosure is printed on the Buyers Guide in place of the "As Is" disclosure. The box beside this disclosure will be checked if the dealer decides to sell the car with no written warranty.

In states that allow "as is" sales, the "Implied Warranties Only" disclosure should appear on the Buyers Guide if the dealer decides to sell a vehicle with implied warranties and no written warranty.

Dealers who offer a written warranty must complete the warranty section of the Buyers Guide. Because terms and conditions vary, it may be useful to compare and negotiate coverage.

Dealers may offer a full or limited warranty on all or some of a vehicle's systems or components. Most used car warranties are limited and their coverage varies. A full warranty includes the following terms and conditions:

- Anyone who owns the vehicle during the warranty period is entitled to warranty service.
- Warranty service will be provided free of charge, including such costs as removing and reinstalling a covered system.
- You have the choice of a replacement or a full refund if, after a reasonable number of tries, the dealer cannot repair the vehicle or a covered system.
- You only have to tell the dealer that warranty service is needed in order to get it, unless the dealer can prove that it is reasonable to require you to do more.
- Implied warranties have no time limits.

If any of these statements don't apply, the warranty is limited.

A full or limited warranty doesn't have to cover the entire vehicle. The dealer may specify that only certain systems are covered. Some parts or systems may be covered by a full warranty; others by a limited warranty.

The dealer must check the appropriate box on the Buyers Guide to indicate whether the warranty is full or limited and the dealer must include the following information in the "Warranty" section:

The percentage of the repair cost that the dealer will pay. For example, "the dealer will pay 100 percent of the labor and 100 percent of the parts...";

- the specific parts and systems – such as the frame, body, or brake system – that are covered by the warranty. The back of the Buyers Guide lists the major systems where problems may occur;
- the warranty term for each covered system. For example, "30 days or 1,000 miles, whichever comes first"; and
- whether there's a deductible and, if so, how much.

You have the right to see a copy of the dealer's warranty before you buy. Review it carefully to determine what is covered. The warranty gives detailed information, such as how to get repairs for a covered system or part. It also tells who is legally responsible for fulfilling the terms of the warranty. If it's a third party, investigate their reputation and whether they're insured. Find out the name of the insurer, and call to verify the information. Then check out the third-party company with your local Better Business Bureau. That's not foolproof, but it is prudent. Make sure you receive a copy of the dealer's warranty document if you buy a car that is offered with a warranty.

Unexpired Manufacturer's Warranties

If the manufacturer's warranty still is in effect, the dealer may include it in the "systems covered/duration" section of the Buyers Guide. To make sure you can take advantage of the coverage, ask the dealer for the car's warranty documents. Verify the information (what's covered, expiration date/miles, necessary paperwork) by calling the manufacturer's zone office. Make sure you have the Vehicle Identification Number (VIN) when you call.

SERVICE CONTRACTS

Like a warranty, a service contract provides repair and/or maintenance for a specific period. But warranties are included in the price of a product, while service contracts cost extra and are sold separately. To decide if you need a service contract, consider whether:

- The service contract duplicates warranty coverage or offers protection that begins after the warranty runs out. Does the service contract extend beyond the time you expect to own the car? If so, is the service contract transferable or is a shorter contract available?
- The vehicle is likely to need repairs and their potential costs. You can determine the value of a service contract by figuring whether the cost of repairs is likely to exceed the price of the contract.
- The service contract covers all parts and systems. Check out all claims carefully. For example, "bumper to bumper" coverage may not mean what you think.
- A deductible is required and, if so, the amount and terms.
- The contract covers incidental expenses, such as towing and rental car charges while your car is being serviced.
- Repairs and routine maintenance, such as oil changes, have to be done at the dealer.
- There's a cancellation and refund policy for the service contract and, whether there are cancellation fees.
- The dealer or company offering the service contract is reputable. Read the contract carefully to determine who is legally responsible for fulfilling the terms of the contract. Some dealers sell third-party service contracts.

The dealer must check the appropriate box on the Buyers Guide if a service contract is offered, except in states where service contracts are regulated by insurance laws. If the Guide doesn't include a service contract reference and you're interested in buying one, ask the salesperson for more information.

If you buy a service contract from the dealer within 90 days of buying a used vehicle, federal law prohibits the dealer from eliminating implied warranties on the systems covered in the contract. For example, if you buy a car "as is," the car normally is not covered by implied warranties. But if you buy a service contract covering the engine, you automatically get implied warranties on the engine. These may give you protection beyond the scope of the service contract. Make sure you get written confirmation that your service contract is in effect.

Pop Quiz

13. TRUE OR FALSE: FEDERAL LAW REQUIRES THAT WARRANTIES BE AVAILABLE FOR YOU TO READ BEFORE YOU BUY A PRODUCT.
(Answers on Pages 14 - 15)



Look at the used car dealer ads in your newspaper. What credit terms do they offer? Are they higher than those offered for new cars? What are the variables that you must consider in determining who offers the best value? Is the car a "certified used car"? Does the ad say what "certified" means? How do prices on the Internet compare with the prices advertised in the newspaper? What considerations should you make when deciding whether to pay cash or finance?

PRE-PURCHASE INDEPENDENT INSPECTION

It's best to have any used car inspected by an independent mechanic before you buy it. An inspection is a good idea even if the car has been "certified" and inspected by the dealer and is being sold with a warranty or service contract. A mechanical inspection is different from a safety inspection. Safety inspections usually focus on conditions that make a car unsafe to drive. They are not designed to determine the overall reliability or mechanical condition of a vehicle.

To find a pre-purchase inspection facility, check your Yellow Pages under "Automotive Diagnostic Service" or ask friends, relatives, and co-workers for referrals. Look for facilities that display certifications like an Automotive Service Excellence (ASE) seal. Certification indicates that some or all of the technicians meet basic standards of knowledge and competence in specific technical areas. Make sure the certifications are current, but remember that certification alone is no guarantee of good or honest work. Also ask to see current licenses if state or local law requires such facilities to be licensed or registered. Check with your state Attorney General's office or local consumer protection agency to find out whether there's a record of complaints about particular facilities.

There are no standard operating procedures for pre-purchase inspections. Ask what the inspection includes, how long it takes, and how much it costs. Get this information in writing.

If the dealer won't let you take the car off the lot, perhaps because of insurance restrictions, you may be able to find a mobile inspection service that will go to the dealer. If that's not an option, ask the dealer to have the car inspected at a facility you designate. You will have to pay the inspection fee.

Once the vehicle has been inspected, ask the mechanic for a written report with a cost estimate for all necessary repairs. Be sure the report includes the vehicle's make, model, and VIN. Make sure you understand every item. If you decide to make a purchase offer to the dealer after considering the inspection's results, you can use the estimated repair costs to negotiate the price of the vehicle.

VEHICLE SYSTEMS

The Buyers Guide lists an auto's 14 major systems and some serious problems that may occur in each. This list may help you and your mechanic evaluate the mechanical condition of the vehicle. The list also may help you compare warranties offered on different cars or by different dealers.

PRIVATE SALES

An alternative to buying from a dealer is buying from an individual. You may see ads in newspapers, on bulletin boards, or on a car. Buying a car from a private party is very different from buying a car from a dealer.

- Private sellers generally are not covered by the Used Car Rule and don't have to use the Buyers Guide. However, you can use the Guide's list of an auto's major systems as a shopping tool. You also can ask the seller if you can have the vehicle inspected by your mechanic.

- Private sales usually are not covered by the "implied warranties" of state law. That means a private sale probably will be on an "as is" basis, unless your purchase agreement with the seller specifically states otherwise. If you have a written contract, the seller must live up to the promises stated in the contract. The car also may be covered by a manufacturer's warranty or a separately purchased service contract. However, warranties and service contracts may not be transferable, and other limits or costs may apply. Before you buy the car, ask to review its warranty or service contract.

- Many states do not require individuals to ensure that their vehicles will pass state inspection or carry a minimum warranty before they offer them for sale. Ask your state Attorney General's office or local consumer protection agency about the requirements in your state.

For more information, see *Buying a Used Car* at ftc.gov/autos

ANSWERS TO POP QUIZ QUESTIONS:

ANSWER 1: c. A credit report is a loan and bill payment history.

It is kept by a credit bureau and used by financial institutions and other potential creditors to determine how likely it is that you will repay a future debt. Information in your credit report can affect your ability to get a job, a loan, a credit card or insurance.

For more information, see *Building a Better Credit Report* at ftc.gov/credit.

ANSWER 2: TRUE.

Your credit report has information that affects whether you can get a loan - and how much you will have to pay to borrow money. You want a copy of your credit report to make sure the information is accurate, complete, and up-to-date before you apply for a loan for a major purchase like a house or car, buy insurance, or apply for a job.

For more information, see *Your Access to Free Credit Reports* at ftc.gov/credit.

ANSWER 3: b. Write to the credit card issuer at the address for "billing inquiries," not the address for sending your payments. The letter needs to reach the credit card issuer within 60 days after the first bill with the error was mailed to you. Keep a copy of your letter for your records.

For more information, see *Billed for Merchandise You Never Received?* at ftc.gov/credit.

ANSWER 4: a. YOU ARE RESPONSIBLE FOR UP TO \$50.

Your maximum liability under federal law for unauthorized use of your credit card is \$50. If you report the loss or theft before your credit cards are used, the Fair Credit Billing Act says the card issuer cannot hold you responsible for any unauthorized charges. If a thief uses your cards before you report them missing, the most you will owe for unauthorized charges is \$50 per card. If the loss or theft involves your credit card number, but not the card itself, you have no liability for unauthorized use.

For more information, see *Fair Credit Billing* at ftc.gov/credit.

ANSWER 5: TRUE. If your ATM or debit card is lost or stolen, report it immediately because the amount you can be held responsible for depends on how quickly you report the loss.

If you report the loss or theft within two business days of discovery, your losses are limited to \$50.

If you report the loss or theft after two business days, but within 60 days after the unauthorized electronic fund transfer appears on your statement, you could lose up to \$500 of what the thief withdraws.

If you wait more than 60 days to report the loss or theft, you could lose all the money that was taken from your account after the end of the 60 days.

For more information, see *Credit, ATM and Debit Cards: What to do if They're Lost or Stolen* at ftc.gov/credit.

ANSWER 6: d. While you have an obligation to pay your bills on time, you are protected by the federal Fair Debt Collection Practices Act. It requires that debt collectors treat you fairly and prohibits them from using threats or providing false information to collect debts.

For more information, see *Fair Debt Collection* at ftc.gov/credit.

ANSWER 7: d. Federal law limits your responsibility for unauthorized charges to \$50. And if you report your credit card as lost or stolen before a thief uses it, you won't owe anything at all.

For more information, see *Getting Credit: What You Need to Know About Your Credit* at ftc.gov/credit.

ANSWER 8: c. If you get an unexpected email from an organization asking for your personal information, contact the organization using a telephone number you know to be genuine. Or open a new Internet browser window and type in the Web address you know is correct.

For more information, see *OnGuard Online* at onguardonline.gov

ANSWER 9: d. Each question is important, but you really need the answers to ALL of them before making the decision to share something as personal as your Social Security number.

For more information, see *ID Theft: What It's All About* at ftc.gov/idtheft.

ANSWER 10: d. Monitor your account statements and order a copy of your credit report. Take these steps - and also report it to the FTC at ftc.gov/idtheft.

For more information, see *Take Charge, Fighting Back Against Identity Theft* at ftc.gov/idtheft.

ANSWER 11: FALSE.

Federal law does not require dealers to give buyers a three-day right to cancel. The right to return the car in a few days for a refund exists only if the dealer grants this privilege to buyers, but it is discretionary. Some states may have such requirements.

For more information, see *The Cooling Off Rule* at ftc.gov/bcp/conline/pubs/buying/cooling.htm

ANSWER 12: TRUE.

In most cases, manufacturers recommend using a regular octane gasoline, and using a higher octane gasoline than your owner's manual recommends offers absolutely no benefit.

For more information, see *The Low-Down on High Octane Gasoline* at ftc.gov/autos.

ANSWER 13: TRUE.

Federal law requires that warranties be available for you to read before you buy a product, even when you're shopping by catalog or on the Internet.

For more information, see *Warranties* at ftc.gov/bcp/conline/pubs/products/warrant.htm

THE BUYING GAME

HOW TO PLAY: Use pennies for game pieces and a pair of dice. Roll one die and move your penny the same number of spaces. Follow the directions, if any, on the space where you land. The first one to reach the finish line wins!



"Sometimes the product's a dud. What now?"

As a consumer playing the buying game, you have certain rights: the right to choice, information, consumer education, safety, and service. You also have the right to be heard. If a purchase doesn't meet your expectations, you can do something

about it. Tell the store manager as soon as you can. If you wait, you might forget the details. Be clear and polite about the problem. Most store managers want your business — and your friends'. They don't want to turn you off as a customer.